



# ROYALTY POLICY COMMITTEE ROYALTY VALUATION RULEMAKING

October 4, 2017

**Bonnie Robson**  
Program Manager, Appeals & Regulations  
Office of Natural Resources Revenue





# DEPARTMENT OF THE INTERIOR MINERAL LEASING



The Department of the Interior administers the mineral leasing program for Federal and American Indian lands.

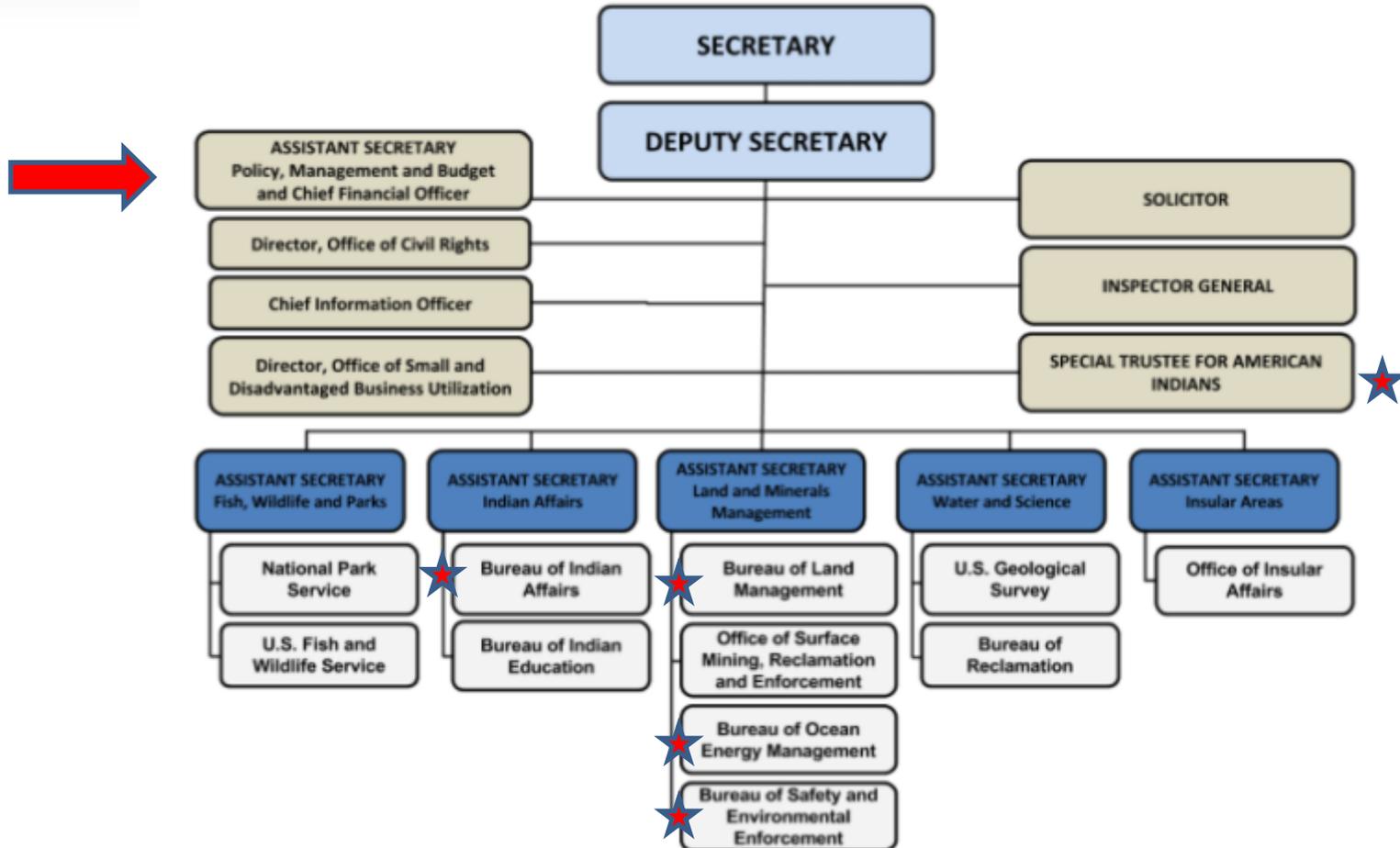
The Department divides mineral lease responsibilities among six Bureaus and Offices:

- Bureau of Indian Affairs (BIA)
- Bureau of Land Management (BLM)
- Bureau of Ocean Energy Management (BOEM)
- Bureau of Safety and Environmental Enforcement (BSEE)
- Office of Natural Resources Revenue (ONRR)
- Office of the Special Trustee for American Indians (OST)





# DEPARTMENT OF THE INTERIOR MINERAL LEASING





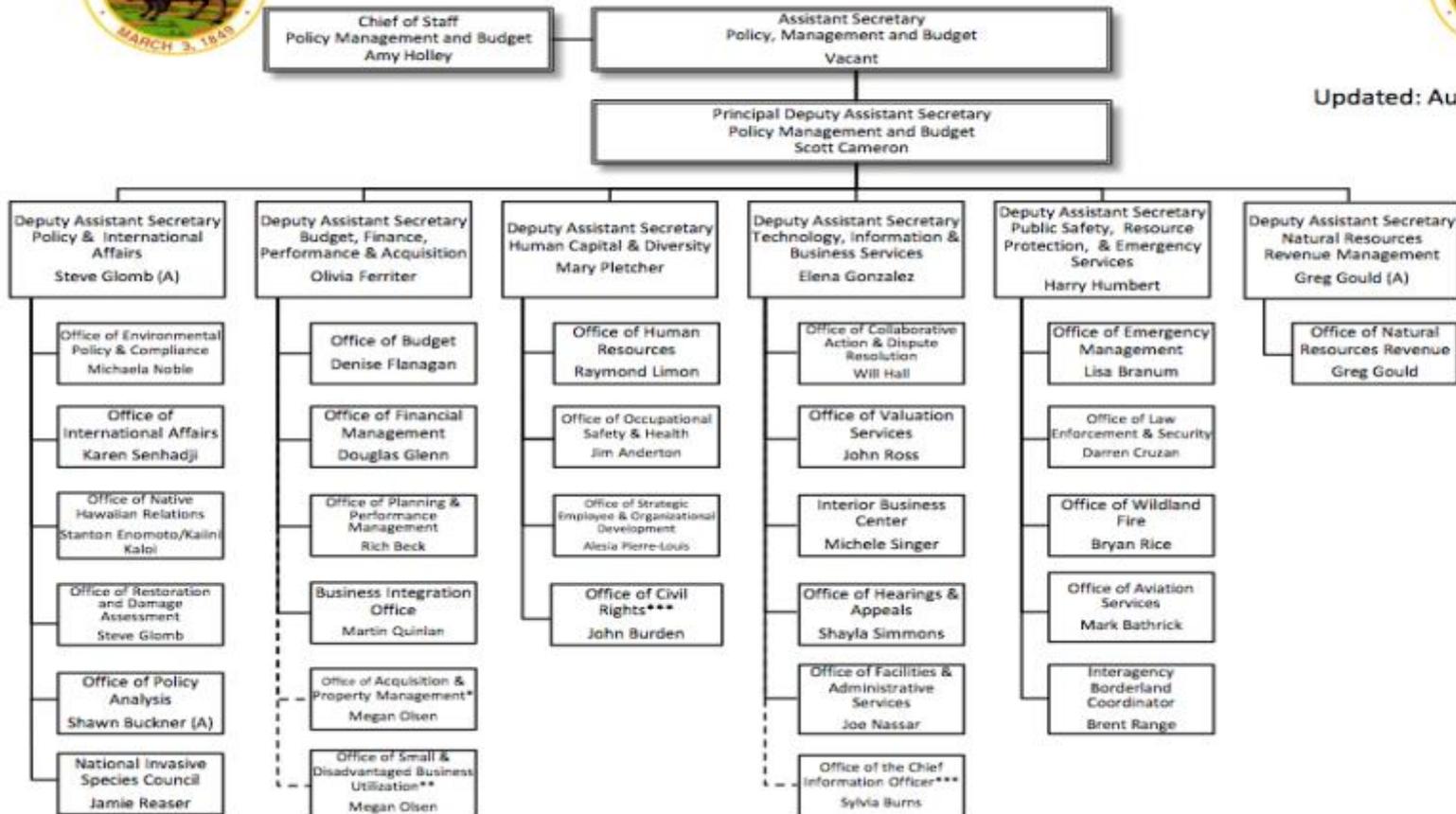
# ONRR WITHIN INTERIOR'S POLICY, MGMT, & BUDGET



## Assistant Secretary – Policy, Management and Budget



Updated: August 16, 2017





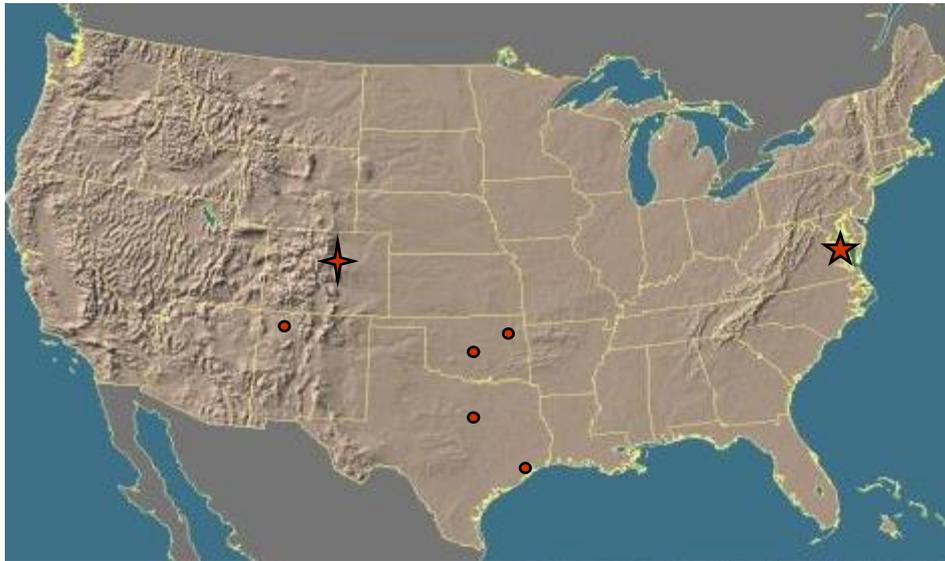
# ONRR

## MISSION, VISION, OFFICES



**ONRR Mission:** For the benefit of all Americans, ONRR collects, accounts for, and verifies natural resource and energy revenues due to States, American Indians, and the U.S. Treasury.

**ONRR Vision:** Excellence in natural resources revenue management.



### ONRR Offices:

Dallas, Texas  
Denver, Colorado  
Farmington, New Mexico  
Houston, Texas  
Oklahoma City, Oklahoma  
Tulsa, Oklahoma  
Washington, D.C.





# STATUTORY AUTHORITIES INCLUDE:



- Statutes relevant to onshore leases:
  - Leasing of Allotted Lands for Mining Purposes, Act of March 3, 1909
  - Mineral Leasing Act of 1920 (MLA)
  - Indian Mineral Leasing Act of 1938
  - Geothermal Steam Act of 1979
  - Indian Mineral Development Act of 1982
  
- Statutes relevant to offshore leases:
  - Outer Continental Shelf Lands Act of 1953 (OCSLA)
  - Deepwater Royalty Relief Act of 1995 (DWRRA)
  - Energy Policy Act of 2005 (EPAct)
  - Gulf of Mexico Energy Security Act of 2006 (GOMESA)
  
- Authority to collect and manage mineral lease revenues:
  - Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)
  - Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA)





# ONRR REGULATIONS

## 30 C.F.R. 1200-1290



### CHAPTER XII—OFFICE OF NATURAL RESOURCES REVENUE, DEPARTMENT OF THE INTERIOR

EDITORIAL NOTE: Nomenclature changes to chapter XII appear at 75 FR 61066, Oct. 4, 2010.

#### SUBCHAPTER A—NATURAL RESOURCES REVENUE

<i>Part</i>		<i>Page</i>
1200	[Reserved]	
1201	General .....	705
1202	Royalties .....	705
1203	Relief or reduction in royalty rates .....	715
1204	Alternatives for marginal properties .....	715
1206	Product valuation .....	722
1207	Sales agreements or contracts governing the disposal of lease products .....	883
1208	Sale of Federal royalty oil .....	885
1210	Forms and reports .....	892
1212	Records and files maintenance .....	905
1217	Audits and inspections .....	908
1218	Collection of royalties, rentals, bonuses, and other monies due the Federal Government .....	909
1219	Distribution and disbursement of royalties, rentals, and bonuses .....	928
1220	Accounting procedures for determining net profit share payment for Outer Continental Shelf oil and gas leases .....	937
1227	Delegation to States .....	950
1228	Cooperative activities with States and Indian tribes .....	962
1229	Delegation to States .....	966
1241	Penalties .....	973
1243	Suspensions pending appeal and bonding—Office of Natural Resources Revenue .....	978
SUBCHAPTER B—APPEALS		
1290	Appeal procedures .....	984
1291–1299	[Reserved]	

<https://www.ecfr.gov>



# 2016 VALUATION RULE & ITS 2017 REPEAL



Rules and Regulations

https://onrr.gov/Laws\_R\_D/Index.htm

An official website of the United States government Here's how you know!



Office of Natural Resources Revenue  
U.S. Department of the Interior

Follow Us:



About Valuation Reporting/Paying Compliance Indian Services



Search ONRR.gov

Home / Rules and Regulations

Rules & Regulations

regulations (eCFR) LS.

## Rules

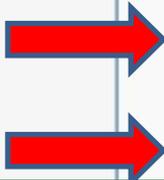
### Proposed Rules

### Final Rules

- AA03: Debt Collection
- AA05: Amendments to Civil Penalty Regulations
- AA06: Correcting amendment to final rule (Part of AD70)
- AA07: Amendments to OMB Control Numbers and Certain Forms (Part of AD70)
- AA08: Clarification of Appeal Procedures
- AA09: Amendments to ONRR's Remaining OMB-Approved Forms and Acronyms (Part of AD70)
- AA10: Amendments to ONRR's Web Site and Mailing Addresses and Payment Definitions (Part of AD70)
- AA11: Allocation & Disbursement of Royalties, Rentals & Bonuses—Oil & Gas, Offshore
- AA13: Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform
- AA14: Amendments to ONRR's Service of Official Correspondence
- AA15: Indian Oil Valuation Amendments
- AA17: Civil Monetary Penalties Inflation Adjustment
- AA20: Repeal of Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform

Public Laws About Mineral Royalties

Legal Citations



Industry Compliance

Accurate Revenues & Data

Professionalism & Integrity



# 2017 ADVANCE NOTICE OF PROPOSED RULEMAKING



Rules and Regulations

https://onrr.gov/Laws\_R\_D/Index.htm

An official website of the United States government Here's how you know!



Office of Natural Resources Revenue  
U.S. Department of the Interior

Follow Us:



About Valuation Reporting/Paying Compliance Indian Services



Search ONRR.gov

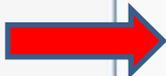
Rules & Regulations

Regulations [eCFR] L3.

Rules

^ Proposed Rules

- [AA02: Reporting and Paying Royalties on Federal Lease \(Takes vs. Entitlements Reporting\)](#)
- [AA04: Valuation of Federal Coal for Advance Royalty Purposes & Information Collection-Solid Minerals Leases](#)
- [AA21: Federal Oil & Gas and Federal & Indian Coal Valuation](#)



^ Final Rules

^ MMS Offshore Rules

^ Withdrawn Rules

Public Laws About Mineral Royalties

[Legal Citations](#)



# 2017 ADVANCE NOTICE OF PROPOSED RULEMAKING



## DEPARTMENT OF THE INTERIOR

### Office of Natural Resources Revenue

#### 30 CFR Parts 1202 and 1206

[Docket No. ONRR-2017-0002; DS63644000  
DR2000000.CH7000 178D0102R2]

RIN 1012-AA21

#### Federal Oil and Gas and Federal and Indian Coal Valuation

**AGENCY:** Office of Natural Resources Revenue (ONRR), Interior.

**ACTION:** Advance Notice of Proposed Rulemaking (ANPRM).

**SUMMARY:** The Office of Natural Resources Revenue (ONRR) requests comments and suggestions from affected parties and the interested public on whether revisions to the regulations governing the valuation, for royalty purposes, of oil and gas produced from Federal onshore and offshore leases and coal produced from Federal and Indian leases, are needed and, if so, what specific revisions should be considered.

Federal Register / Vol. 82, No. 63 / Tuesday, April 4, 2017 / Proposed Rules

16325

[https://onrr.gov/Laws\\_R\\_D/FRNotices/AA21.htm](https://onrr.gov/Laws_R_D/FRNotices/AA21.htm)



# PUBLIC COMMENTS: COMMENTERS



ANPRM Comment Period Ends: May 4, 2017

[https://onrr.gov/Laws\\_R\\_D/FRNotices/AA21.htm](https://onrr.gov/Laws_R_D/FRNotices/AA21.htm)

## Public Comments Received

- [Allen Altman](#)
- [Alvin Not Afraid, Jr., Crow Tribe Chairman](#)
- [American Exploration & Production Council](#)
- [Anonymous Commenter 1](#)
- [API Comments](#)
- [API - COPAS](#)
- [API - COPAS Final](#)
- [Beau Baumann](#)
- [Bob Kvaas](#)
- [Black Hills Corporation](#)
- [Chevron](#)
- [Center for American Progress](#)
- [Cloud Peak Energy](#)
- [Dan R. Bucks](#)
- [Davis Graham & Stubbs LLP](#)
- [Eland Energy](#)
- [Independent Petroleum Association of America](#)
- [Institute for Policy Integrity](#)
- [IPAA Comments](#)
- [Matthew H. Mead, Wyoming Governor](#)
- [Mountain Pact](#)
- [National Wildlife Federation Final](#)
- [Sierra Club](#)
- [Tax Payers for Common Sense](#)
- [The Wilderness Society 2](#)
- [Tri-State G&T Assoc Inc.](#)
- [Trapper Mining](#)
- [Western Energy Alliance](#)
- [Western Fuels Association](#)
- [Western Organization of Resource Councils](#)
- [Western Organization of Resource Councils 2](#)
- [Wilderness Society](#)



# PUBLIC COMMENTS: OIL & GAS SUBJECTS



- Arm's-length contracts as gold-standard for valuation
- Index prices as basis for valuation
- Reporting gas as unprocessed or processed
- Reporting on higher of unprocessed or processed value
- Identifying non-allowable marketable condition costs and segregating them from allowable transportation and processing costs
- Limitations on or elimination of transportation and processing allowances
- Reporting value net of transportation (transportation factors)
- Allowing offshore gathering costs as transportation
- Authorizing valuation agreements
- Taking royalty in value or in kind
- Exercise of Secretarial discretion
- Separate oil and gas from coal rulemakings





# PUBLIC COMMENTS: COAL SUBJECTS



- Value coal based on:
  - Comparable arm's-length sales
  - Existing or revised benchmarks
  - Index
  - Formula
  - MMBtus
  - Final market price with limited deductions
  - Secretarial discretion
  - Natural gas equivalent
  - Not electricity sales
- Allowances
  - Clarify
  - Base on reasonableness
  - Limit or eliminate





# RPC AS MENTIONED IN FINAL RULE OF REPEAL



**36934** Federal Register/Vol. 82, No. 150/Monday, August 7, 2017/Rules and Regulations

Third, on March 29, 2017, the Secretary of the Interior (Secretary) announced that he will reestablish the Royalty Policy Committee (RPC) under the Federal Advisory Committee Act. The RPC will advise ONRR on current and emerging issues related to the determination of fair market value and the collection of royalties from energy and natural resources on Federal and Indian lands. The RPC will be composed of Federal representatives and stakeholders from energy and

mineral interests, academia, public interest groups, States, Indian Tribes, and individual Indian mineral interest owners. The RPC will provide a forum for engaging with key stakeholders and the public on many of the same issues we attempted to address in the 2017 Valuation Rule. ONRR expects that further internal assessment and analysis combined with consultations facilitated by the RPC's reestablishment will lead to the development and promulgation of a new, revised valuation rule that will address the various problems that have now been identified in the rule we are repealing.

**BUT THE RPC'S NEXT STEPS ARE UP TO YOU ....**

